GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3417
ANSWERED ON:07.09.2007
FRAUDS BY COMPANIES
Patel Shri Jivabhai Ambalal;Thummar Shri Virjibhai

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has received any complaints regarding alleged frauds and irregularities committed while taking loans by the companies from Financial institutions and banks during the last two years;

(b) if so, the details thereof;

(c) the number of cases in which enquiry has since been initiated;

(d) the number of cases in which enquiry has so far been completed;

(e) the number of companies found guilty in the said enquiries;

(f) the details of the action taken/being taken by the Government against these companies; and

(g) the outcome thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (d) : RBI has informed that a few complaints regarding fraudulent activities and irregularities in loans sanctioned by banks were received. The same were taken up with the respective banks to ascertain whether they had been reported as fraud. In case; fraud reports are received, banks are advised to file complaint with the Police/CBI, as applicable, examine staff accountability aspect, initiate steps to recover the amount of loss and strengthen the systems and procedures to avoid recurrence of such frauds. As per extant guidelines issued by the RBI to the banks, they are required to report individually all the fraud cases involving amounts of Rs. 1 lakh and above to RBI and below Rs. 1 lakh in consolidated form to RBI.

Certain irregularities had been observed in the account of Vishal Exports Overseas Ltd. which was in consortium arrangement with 14 banks. RBI conducted a scrutiny of the account and detected serious irregularities. RBI has ordered a Special Audit of the account under the provisions of Banking Regulation Act, 1949. RBI has also received three more references of alleged frauds/irregularities in the loan taken by the companies from Financial institutions during the last two years. The Companies involved are
(i) Arihant Industries Ltd.,
(ii) Balaji Hotels and Enterprises &
(iii) LML Ltd. RBI conducted a scrutiny of all the cases and it has been completed in two cases while the matter relating to Balaji Hotels and Enterprises is sub-judice.

(e): RBI has reported that none of the above mentioned three companies has been found guilty of fraud.

(f) & (g): Action is beino. taken bv the concerned bank/financial institution as per the extant guidelines.